

SUPPLEMENTARY COST REDUCTIONS LOA 84

1 **SUPPLEMENTARY COST REDUCTIONS** LETTER #84

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4 **LETTER OF AGREEMENT**

5 Between

6 US AIRWAYS GROUP INC, US AIRWAYS INC.

7 . and

8 THE AIRLINE PILOTS

9 in the service of

10 US AIRWAYS, INC.

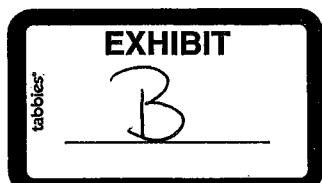
11 as represented by

12 THE AIR LINE PILOTS ASSOCIATION, INTERNATIONAL

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14 SUPPLEMENTARY COST REDUCTIONS

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17 THIS LETTER OF AGREEMENT is made and entered into in accordance with
18 Title II of the Railway Labor Act, as amended, by and between US Airways Group, Inc.
19 (hereinafter referred to as "US Airways Group), US Airways, Inc. (hereinafter referred to
20 as the "Company") and the Airline Pilots in the service of US Airways, Inc. as
21 represented by the Air Line Pilots Association (hereinafter referred to as "ALPA" or the
.2 "Association").



J.84-1



SUPPLEMENTARY COST REDUCTIONS
LOA 84

23 WHEREAS the Company and Association have studied the current situation of US
24 Airways and have concluded that additional cost reductions beyond those in the July 1,
25 2002 Restructuring Agreement ("Restructuring Agreement") are necessary to sustain the
26 airline through bankruptcy and to achieve ATSB approval for a loan guarantee and,

27 WHEREAS the parties have agreed to enter negotiations to develop a
28 comprehensive program of additional cost reductions including compensation,
29 productivity and benefit modifications in order to ensure **US** Airways' emergence from
30 bankruptcy and approval of an ATSB guaranteed loan.

31 NOW THEREFORE the parties mutually agree to amend the Restructuring
32 Agreement as specified in the following Attachments, contained below: A.) Revisions to
33 Restructuring Agreement, B.) Health and Welfare Benefit Changes and C.) Pension Plan
34 Changes. Other than as specifically modified in these documents all terms and
35 conditions of the ALPA-US Airways Collective Bargaining Agreement effective January 1,
36 1998 as amended by the Restructuring Agreement (hereinafter referred to as the
37 "Agreement") shall remain in full force and effect.

38 It is recognized that the Restructuring Agreement and the Revisions to the
39 Restructuring Agreement (Attachments A,B, and C) are amendments to an existing pre-
40 bankruptcy petition collective bargaining agreement and do not alter existing priority of
41 payment rights in the Company's current bankruptcy proceeding, subject to the
42 provisions of the assumption paragraph of Attachment A.

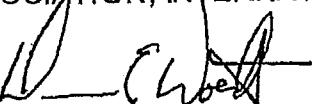
43 This Letter of Agreement shall become effective under the terms and

SUPPLEMENTARY COST REDUCTIONS
LOA 84

44 conditions and on the date specified in Attachment A.

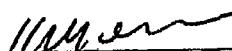
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46 IN WITNESS WHEREOF, the parties hereto have signed this Letter of
47 Agreement this 13th day of December, 2002.

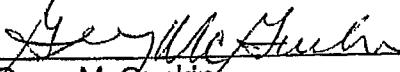
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49 FOR THE AIR LINE PILOTS
50 ASSOCIATION, INTERNATIONAL

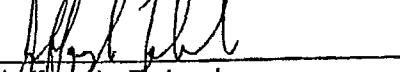
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52 Duane E. Woerth, President

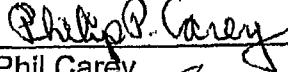
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54 ris eebe
55 MEC Chairman

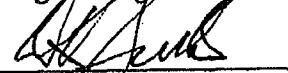
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57 WITNESS for the Air Line Pilots
58 Association, International

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60 Kelly L. son
61 Negotiating Committee Chairman

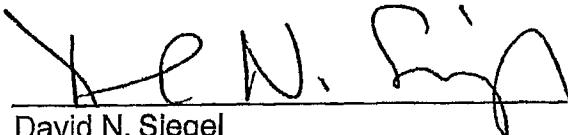
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63 Gerry McGuckin
64 Negotiating Committee

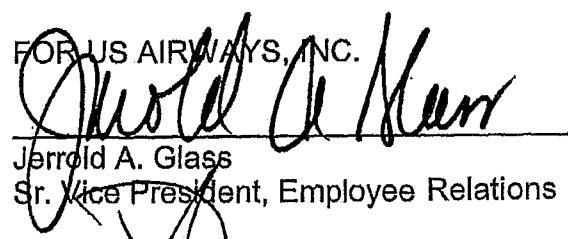
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66 Jeffrey L. Tokash
67 Negotiating Committee

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69 Phil Carey
70 Negotiating Committee

71 
72 Donn Butkovic
73 Negotiating Committee

FOR US AIRWAYS GROUP, INC.

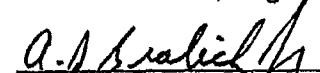

David N. Siegel
President and CEO

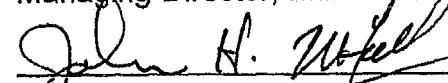
FOR US AIRWAYS, INC.

Jerrold A. Glass
Sr. Vice President, Employee Relations


P. Douglas McKeen
Vice President, Labor Relations

WITNESS for US Airways, Inc.,


Edward Bular
Vice President, Flight Operations


Anthony J. Bralich, Jr.
Managing Director, Labor Relations-Flight


John H. McFall
Manager, Labor Relations-Flight

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Attachment A

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Revisions to Restructuring Agreement

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4 EFFECTIVE DATE: January 1,2003

5 ASSUMPTION:
6 The ALPA Revisions to the Restructuring Agreement
7 as set forth in this Attachment A shall only continue in
8 effect if US Airways Group and the Company, as
9 Debtors in Possession, provide for the assumption of
10 the Agreement as modified by the Restructuring
11 Agreement and by this Attachment A in any plan of
12 reorganization proposed or supported by the Debtors
13 that provides for the reorganization of the Company
as a stand alone operating company.

14 HOURLY RATES OF PAY:
15 The actual hourly rates of pay to be paid to all pilots
16 under the Agreement will in each year be less than or
17 greater than the actual hourly rates of pay specified
18 under the Restructuring Agreement (*i.e.*, the actual
19 hourly rates as increased each May 1) by the
20 following percentage amounts. These percentages
21 are not cumulative but are in each instance an
22 adjustment of the hourly rate of pay that would
23 otherwise have been paid under the Restructuring
24 Agreement in the applicable pay period. Hence, in
25 each year there will be two actual hourly rates of pay
26 applicable to each position: the rate in effect from
27 January 1 through April 30 and the rate in effect from
May 1 through December 31.

YEAR	PERCENTAGE CHANGE TO APPLICABLE RESTRUCTURING AGREEMENT RATES OF PAY
2003	(8.0%)
2004	(6.5%)
2005	(5.0%)
2006	(0.0%) No reduction
2007	2.0%
2008	2.0%
2009 & beyond	As per Restructuring Agreement

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30 PRODUCTIVITY: The Company may implement the following
 31 Productivity Improvements contingent upon
 32 satisfaction of the Minimum Aircraft and Minimum
 33 Block Hours conditions specified below:

34 1. Modify Duty Rigs and VM: Duty rig of 1:2.25 for
 35 day (0600 – 2159) and 1:2 for night (2200 – 0559);
 36 VM of 5 hour average with no floor and no ceiling

37 2. Vacation:

38 a. Permit cancellation of vacation to prevent a
 39 pilot from becoming inactive
 40 b. Reduce daily pay and credit to 3:45 (for seven
 41 or more days) and 2:39 (for less than seven
 42 days)

43 3. Training:

44 a. Permit pilots to move early to new bid to
 45 avoid inactive with pay
 46 b. Permit use of TDY or extend training hold
 until the next training class if a pilot is unable

to report for initial training and would become inactive with pay

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c. Reduce 4:00 daily training pay to 2:50

d. Permit furloughed pilots if available, then disabled pilots to perform simulator training (same function as now performed by instructor pilots), in a number not to exceed 25% of the total number of Covered Pilots.

e. Build training lines to avoid bought trips

i. The number of training lines that can be constructed for training purposes will be no more than 15% times the number of pilots requiring IOE in a given bid month, but not less than 18 lines (calculated at 25 hours per pilot requiring IOE).

ii. Training lines will contain a mix of weekday and weekend duty periods

4. Claiming Sick Leave: A lineholder may claim sick leave to his line value for the month minus 5 hours unless the sick claim is for more than $\frac{1}{2}$ of his line value, in which case he can claim up to his line value by use of his sick bank. A reserve pilot's sick claim, when added to his previous and subsequent flying and other credited time for that month, may not exceed his monthly guarantee, i.e., a reserve cannot claim sick time that would result in pay exceeding the minimum monthly guarantee.

5. Pay actual time for split trips

6. Rescheduling: Eliminate Section 25(F)4 (eliminates the requirement to call out a reserve rather than reschedule a crew already on duty regardless of the time frame, i.e., eliminates the reserves available/90 minute rule but preserves all other rescheduling provisions including notification, pay and return to domicile requirements of Section 25(F) and the Section 25(F) grievance settlement)

7. Modify reserve system — Implementation scheduled for no later than June 2004.
 - a. After the lines of time are awarded, the remaining pilots will bid and be awarded a reserve line.
 - b. Reserve pilots may bid for days off
 - c. Reserve pilots may bid up to 4 immovable days off
 - d. Continue with two categories of reserves (percentages of each to be determined by the Company; "S" reserves may be used out-of-base in the same manner as in-base)
 - e. The reserve pilot will have the choice to bid for either a short call line or a regular reserve line
 - f. If bidding on a short call line, pilots may bid for specific PT's during the bidding process
 - g. Future scheduling process for reserve pilots
 - i. Trips will be awarded to the pilot with the least amount of credited monthly projected hours (e.g., count vacation and/or training as projected hours). For purposes of determining credited monthly projected hours, daily sick pay shall be credited (but not to exceed the guarantee) upon completion of the bid month.
 - ii. Pilots with more available days than the trip flies will not be passed over, but may not pass.
 - iii. Pilots with fewer available days than the trip flies will not be passed over. A reserve pilot may split a trip for day(s) off, however, if there are no other pilots available to complete the trip, the Company may require a pilot to fly into his non-immovable day(s) off to complete the trip, and such day(s) off shall be restored. The Company may also require a pilot to split a trip for day(s) off. Notwithstanding the preceding sentence, the pilot, at his option, may fly into his day(s) off to complete a trip

124 and such day(s) shall not be restored.
(blackout periods to be discussed)

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130 iv. In the event that multiple trips are open at the
time of processing, the pilot must select a trip
which does not require a split if one is
available (the pilot may negate a split by flying
into a day(s) off)

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132 v. Reserve pilots may not create a split if there
are trips available which do not require a split

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136 8. Accept the concept to replace primary lines, SAP,
secondary lines, RTBS with a preferential bidding
system (algorithm). Implementation scheduled for
no later than June 2004.

137 a. Vendor must be mutually agreed upon

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139 b. All algorithm parameters, constraints and
interface must be mutually agreed upon

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141 c. Any future changes to the algorithm or system
user interface or parameters must be mutually
agreed upon

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144 d. ALPA and the Company will jointly approve all
145 implementation steps through a Joint
Implementation Review Committee (JIRC)

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147 e. ALPA will be provided equal access to verify
148 system settings, constraints and parameters
149 (Within the Vendor's contractual
150 limitations/restrictions, provided that, if the
151 applicable contract does not permit ALPA to
152 acquire its own copy of the software, then
153 ALPA will be provided access to the
154 Company's copy adequate to enable ALPA to
155 verify the system settings, constraints and
parameters)

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157 f. Bidding interface will be accessible to pilots
158 both inside and outside the Company's
network (home personal computer via internet)

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160 g. Increase the lineholder negative bank to 20
hours. Once a pilot's negative bank exceeds
15 hours, the pilot must eliminate the entire

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negative bank balance over the next 6 bid months. If not eliminated in full, the Company will assign a trip(s) during the next 2 bid months to eliminate the balance.

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h. Line values must fall between 70 and 85 hours (if unable to bid a line worth 70 hours or greater, the pilot will be awarded 0 time) (Agree to include implementation in the JIRC and expedited arbitration under paragraph 11 with the understanding that any parameters will not result in short block claims or a guaranteed number of lines of flying). The following statement will be on each published bid: "Based on the projected credited time for the month of X, the Company anticipates that X number of lines of flying will be available for monthly bid, absent unplanned or extenuating circumstances."

i. Pilots awarded a line during the first run may participate in a second process which will allow the pilot to add additional time to increase the amount of time in their line (JIRC to discuss need for second run)

j. Trip pairings will be published (on paper and electronically) no later than 5 days prior to the opening of the bidding period

9. Accept the concept of an automated AIL. Implementation scheduled for no later than June 2004.

a. All algorithm parameters, constraints and interface must be mutually agreed upon

b. Any future changes to the algorithm or system user interface or parameters must be mutually agreed upon

c. ALPA and the Company will jointly approve all implementation steps through the JIRC. All unresolved joint approval issues shall be subject to the expedited arbitration process specified in paragraph 11 below.

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d. ALPA will be provided equal access to verify system settings, constraints and parameters (Within the Vendor's contractual limitations/restrictions, provided that, if the applicable contract does not permit ALPA to acquire its own copy of the software, then ALPA will be provided access to the Company's copy adequate to enable ALPA to verify the system settings, constraints and parameters)

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e. Bidding interface will be accessible to pilots both inside and outside the Company's network (home, personal computer via internet)

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f. Must be an iterative algorithm similar to the current ISAP system

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g. Automated AIL will run one day prior to trip departure

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10. Accept the concept of modifications to the AIL. Implementation scheduled for no later than June 2004.

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a. Pilots awarded trip pairings which include a Saturday or Sunday as a result of preferential bidding will be required to work on those weekend days (similar to holiday trip protection)

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b. Pilots will have the option to use the automated AIL to trip improve on weekend days for trips worth more or less time

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c. Pilots may use the automated AIL to pick up time on days off, trip improve or reduce time, but must protect trips which fly over Saturday and/or Sunday (may trip improve, but must fly to touch those days)

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11. If the parties are unable to resolve any issues concerning the modified reserve system, preferential bid system, automation of the AIL and modification of the AIL prior to October 1, 2003, such unresolved issues will be submitted to an arbitrator for resolution on an expedited basis. If the inability to agree on issues causes a delay in

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245 JETS FOR JOBS RATES:

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263 MINIMUM AIRCRAFT:

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275 MINIMUM BLOCK HOURS:

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implementation past June 2004, wage rates will be reduced proportionate to the value of the delayed productivity until the system is implemented.

The Company may implement the following changes to rates of pay for MidAtlantic ("MDA") and for Jets for Jobs with Participating Wholly Owned Carriers and Participating Affiliates:

1. Non MDA Jets for Jobs rates of pay

a. Captains paid in accordance with the applicable contract with longevity under that contract; no longevity credit for prior US Airways service

b. First Officer rates pay top of scale under applicable contract

2. MDA rates of pay for US Airways pilots

a. Captains paid in accordance with MDA contract with longevity under that contract; no longevity credit for prior US Airways service

b. First Officer rates pay top of scale under MDA contract

As a condition of implementing and maintaining any of the Productivity Improvements, the Minimum Active Fleet specified in Attachment E of the Restructuring Agreement shall be increased to 279 aircraft (excluding SJs but including permanent bid plus 8% for active spares) with daily utilization rate measured monthly of no less than 10 hours, whether or not the Company is in Chapter 11. The Minimum Active Fleet number may be reduced only as made necessary by a new force majeure event, which includes acts of terrorism with a material adverse impact on commercial aviation.

As a condition of implementing and maintaining any of the Productivity Improvements, the Minimum Scheduled Block Hours specified in Attachment E to the Restructuring Agreement shall be increased to 936,900 (excluding SJs), whether or not the Company

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286 FURLough PROTECTION AS
287 A RESULT OF PRODUCTIVITY
288 IMPLEMENTATION:

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294 SJs:

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is in Chapter 11. The Minimum Scheduled Block Hours may be reduced only as made necessary by a new force majeure event, which include acts of terrorism with a material adverse impact on commercial aviation.

Productivity Improvements specified in this Letter of Agreement shall be implemented in conjunction with attrition and shall not cause any pilots to be furloughed or displaced to an SJ. This paragraph shall not apply to the pilots already scheduled for furlough as a result of Permanent Bid '03 - 01.

The Company may operate MDA as a separate division within mainline - US Airways, Inc. with such operation limited to Large SJs. Wages, benefits and work rules will match the AA Eagle pilots' agreement, (except that the following provisions of the Agreement, as amended by the Restructuring Agreement and this Letter of Agreement, will apply: Sections 1, 19, 20, 21, 25, and 29, and the Accelerated Arbitration of Selected Cases Letter of Agreement), beginning with the AA Eagle wage rates in effect on January 1, 2003. In addition, there shall be subsequent 2% increases on January 1, 2004, January 1, 2005, January 1, 2006, January 1, 2007, January 1, 2008 and 3% on May 1 of the succeeding status quo period (i.e., the period past the Agreement amendable date). Medium and Small SJs to be placed at Participating Wholly Owned Carriers and Participating Affiliates and the 150% MDA ratio shall no longer apply. A pilot may bid or be displaced to a Large SJ position subject to reasonable holds and freezes to be negotiated. A pilot displaced to an SJ position at US Airways will receive accrued furlough pay to be offset by SJ earnings. A pilot may accept voluntary furlough in lieu of displacement to a Large SJ position and will receive accrued furlough pay and a pilot on furlough may bypass recall to a Large SJ position; in either case, the pilot will then be offered recall when his seniority entitles him to a position on an aircraft larger than a Large SJ. Company pilots and pilots of Participating Wholly Owned Carriers will continue to have the same flow up and flow down rights between US Airways and such Carriers as they

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329 do under the Restructuring Agreement with respect to
MDA and US Airways. All of the terms in this
paragraph will be part of the Agreement and subject
to the duration clause of the Agreement.

330 RETIREMENT PLAN: See Attached

331 HEALTHAND WELFARE: See Attached

332 ENHANCED PROFIT SHARING: Enhanced profit sharing returns in exchange for
333 participation in 200 million "Modified Restructuring
334 Program" as follows:

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336 Any year in which pre-tax profits exceed 7%, 50% of
337 such profits in excess of 7% will be distributed to
338 participating employees.

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340 - Capped at \$100 million
341 - Program continues through status quo period
342 - 50% paid as lump sum payments
343 - 50% paid to defined benefit pension plan (or to
344 defined contribution pension plan where an
345 employee group has no defined benefit plan)
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347 above any minimum contribution requirements,
348 but not in excess of maximum tax deductible
349 contributions, under ERISA.
350 - Pre-tax defined as excluding unusual items

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352 EQUITY PARTICIPATION: Per Restructuring Agreement, but accelerate the
353 vesting schedule as follows:

354 • 25% on the first day of the month that occurs at
355 least 60 days following emergence from
356 bankruptcy
357 • 25% on January 1 of the year following
358 emergence from bankruptcy
359 • 25% on January 1 of the second year following
360 emergence from bankruptcy
361 • 25% on January 1 of the third year following
362 emergence from bankruptcy
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364 WAIVER: Neither of the execution, delivery, performance or
365 implementation of the Investment Agreement (as the
366 same may be amended or modified and in effect from

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time to time) or compliance with the provisions thereof, the exercise of any rights or powers by RSA or its assignees, transferees or successors-in-interest thereunder, nor the transfer or other disposition by RSA or its assignees, transferees or successors-in-interest of any or all of its equity interest in US Airways Group, other than a transfer to a company a principal business of which is to own or operate a commercial airline, shall constitute or be deemed to constitute a Change in Control (as defined in Section 1(D)2 of the Pilot Agreement) or an Acquisition Trigger Event (as defined in Letter 63 of the Pilot Agreement) and ALPA waives irrevocably on its behalf and on behalf of all pilots any of its rights, if any, that would otherwise be triggered in connection therewith (including, by way of example and not in limitation thereof, (i) a restoration of pilots' rates of pay to Book Rates as defined in the Restructuring Agreement, (ii) payment of any amount under the CARS security as specified in the Pilot Agreement as amended by Attachment L of the Restructuring Agreement, (iii) the right to extend the duration of the Pilot Agreement with increases to annual rates of pay as specified in Section 1.D.2 of the Pilot Agreement as amended by the Restructuring Agreement, and (iv) the right to serve a Section 6 notice under the Railway Labor Act as specified in Section 1.D.1 of the Pilot Agreement as amended by the Restructuring Agreement and in connection therewith waives any rights to claim, argue, grieve or sue for any compensation, consequence or remedy with respect thereto. The foregoing waiver does not apply to the vesting provisions with respect to ALPA Stock under the Restructuring Agreement upon a change of control occurring subsequent to the Closing Date under the Investment Agreement.

.03 TAG ALONG RIGHTS
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In the event that RSA sells, assigns, transfers or otherwise disposes of more than 20% (determined based on the holdings of RSA on the closing date under the Investment Agreement) of its shares of US Airways Group (other than a public sale of such shares through a public securities market in which case ALPA shall be granted piggy back rights in large scale registered offerings), the holders of the ALPA Stock and the beneficiaries of any trust holding the ALPA Stock shall have been afforded the opportunity

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 415 to join pro rata (based on the percentage of vested
 416 securities then held by a selling party relative to all
 417 outstanding vested securities of US Airways Group) in
 418 such sale on the same terms and conditions as RSA.
 419 Reciprocal tag along rights will be provided to RSA in
 420 the event that the holders of the ALPA Stock or the
 421 beneficiaries of any trust holding the ALPA Stock sell,
 422 assign, transfer or otherwise dispose of more than
 423 20% of the holdings of ALPA Stock (determined
 424 based upon the total amount of ALPA Stock granted
 425 under the terms of Attachments G and H of the
 426 Restructuring Agreement). The foregoing Tag Along
 427 rights with respect to RSA and the ALPA Stock shall
 428 expire on the earlier of: (1) the fifth anniversary of the
 429 closing date, (2) such time as RSA no longer has a
 430 right to designate a majority of the Board of Directors
 431 of US Airways Group and (3) a sale of US Airways
 Group (but tag along rights shall apply to such sale).

432 WAR CONTINGENCY
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 434 In the event that (a) the U.S. invades Iraq (meaning
 435 that the U.S. initiates a sustained aerial bombardment
 436 of those parts of Iraq that are not within the current no
 437 fly zone or introduces substantial numbers of ground
 438 troops into the territory of Iraq), or (b) there is an act
 439 of terrorism which in either event has a material
 440 adverse impact on commercial aviation, there will be
 441 an immediate 5% pay deferral for up to 18 months.
 442 The deferral will begin to be repaid starting in the first
 443 month following the end of the deferral and will
 444 continue to be repaid in as many monthly installments
 445 as were covered by the deferral. In the event that US
 446 Airways Group reports a pretax profit with respect to
 447 any quarter during which the pay deferral is in effect,
 448 the deferral will immediately stop and repayment will
 begin in the next month to continue for the same
 number of months as were included in the deferral.

449 ALPA FEES AND EXPENSES: In addition to the unpaid fees and expenses and flight
 450 pay loss specified under the Restructuring
 451 Agreement, the Company and US Airways Group
 452 shall pay reasonable and necessary ALPA fees and
 453 expenses incurred through December 13, 2002 in
 454 connection with the negotiation of this Letter of
 455 Agreement, up to a maximum of \$TBD.

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RATIFICATION:

This Letter of Agreement must be approved by **US** Airways Group, the Company and the **MEC** on behalf of the membership no later than December 13, 2002.

U.S. AIRWAYS



Health & Welfare Benefit Changes

ALPA (Pilots)

December 11, 2002

Health & Welfare Benefit Changes

Medical/Dental Plan

- Plan design
 - > Eliminate cross application of in-and out-of-network expenses toward satisfaction of deductibles and out-of-pocket maximums
 - > Reduce out-of-network claim reimbursement level from 90% to 80% R & C
 - > Increase brand non-formulary prescription drug copay from \$30 to \$35 for retail (\$70 for mail order)
- Copays, deductibles, OOP maximums
 - > Fixed dollar amounts for 2003 - 2005
 - > Updated amounts in 2006 based on current 2006 projected amount (Attachment A)
 - > 2006 amounts fixed through 2008
- Eligibility
 - > No change to retiree medical or dental eligibility
- Employee Contributions
 - > Fixed dollar contributions through the end of the contract (Attachment B)
 - > Premium equivalents reflect updated cost basis, trend and plan design
 - separate premium equivalents for Active, Pre-65 retirees, and Post-65 retirees
 - > Company subsidy of PPO Option 1 - 80/60 plan with full buy-up to richer plans
 - 80/60: 15% of expected cost
 - 90/70: 80/60 plan contribution plus full buy-up to 90/70 plan
 - 100/80: 80/60 plan contribution plus full buy-up to 100/80 plan

Health & Welfare Benefit Changes

■ Pre-65 retiree life insurance

Employee Group	Current	New
Basic Life	Employer Paid - Flat amount based on annual retirement income; range (\$15,000 - \$140,000)	Eliminate benefit for current and future retirees
Dependent Life	Employer Paid - Amount in effect at retirement continues	Eliminate benefit for current and future retirees
Optional Life	Retiree may continue amount in effect until age 65 provided contribution payments are made	Eliminate benefit for current and future retirees

■ Post-65 retiree death benefit

Current	New
Uninsured death benefit equal to 25% of basic life benefit amount in effect just prior to age 65 (minimum \$10,000; maximum \$37,500)	Eliminate benefit for all post-65 retirees

Note: US Always will provide indemnification to ALPA as well as apply the System Board of Adjustment procedures for the elimination of Pre-65 retiree life insurance and Post-65 retiree death benefits.

Health & Welfare Benefit Changes

Long-Term Disability

	Current	New
Contributions	Employer Paid	Employer Paid
Benefit Percentage	50% for the first 48 months	50% for the first 48 months
Monthly Maximum Benefit	Not specified	\$7,500
	After exhaustion of other company benefits (i.e., sick pay, vacation)	6 months - no elimination period for reoccurrence of same disability within 90 days of returning to work.
Definition of Disability	Own occupation or inability to pass FAA physical examination	Own occupation or inability to pass FAA physical examination
Offsets	None	Offsets as per Attachment C
	To age 60 for disability recipients and to age 65 for recipients of pension differential benefit	To normal retirement age (currently age 60)
Claims Appeals	Retirement Review Board	Retirement Review Board

Note:

- 1) New plan applies to future claimants. Detailed plan design as per Attachment C.
- 2) Current claimants maintain current plan

Loss of License

- Eliminate benefit

Health & Welfare Benefit Changes

Workers Compensation

	Current	New
Employer paid salary continuation/OII banks	Earns OII days similar to sick days. Company pays employee full monthly salary, until OII bank is depleted (Company retains W/C statutory check)	Discontinue OII bank Receive Statutory Benefit
Sick Bank Usage to Supplement W/C payment	Employee can use sick bank once OII is depleted	May use sick bank up to line value minus 5 hours, unless claim is in excess of half of line value, in which case, may claim up to line value.

Note:

- 1) New plan for future W/C claimants only.

xhibitA

US Airways
Copays, Deductibles & OOP Maximums

Year	2003	2004	2005	2006	2007	2008
Deductible (single/family)						
80/60 PPO Plan	\$300	\$600	\$300	\$600	\$300	\$450
In-network						\$900
Out-of-network		\$1,200		\$1,200		\$1,800
90/70 PPO Plan	\$600	\$600	\$600	\$1,200	\$900	\$900
In-network						
Out-of-network						
100/80 PPO Plan	\$150	\$300	\$150	\$300	\$150	\$450
In-network						\$225
Out-of-network		\$600		\$600		\$450
100/80 PPO Plan	\$300	\$600	\$300	\$600	\$300	\$900
In-network						
Out-of-network						
OOP Maximum (single/family)						
80/60 PPO Plan	\$2,000	\$4,000	\$2,000	\$4,000	\$2,000	\$4,000
In-network						\$3,000
Out-of-network		\$4,000		\$8,000		\$8,000
90/70 PPO Plan	\$4,000	\$8,000	\$4,000	\$8,000	\$4,000	\$12,000
In-network						\$6,000
Out-of-network						\$12,000
100/80 PPO Plan	\$1,000	\$2,000	\$1,000	\$2,000	\$1,500	\$3,000
In-network						\$1,500
Out-of-network		\$2,000		\$4,000		\$6,000
100/80 PPO Plan	\$2,000	\$4,000	\$2,000	\$4,000	\$3,000	\$6,000
In-network						\$3,000
Out-of-network						\$6,000
Office Copays						
Primary Care Physician	N/A	N/A	N/A	N/A	N/A	N/A
Specialist	\$2,000	\$4,000	\$2,000	\$4,000	\$3,000	\$6,000
Prescription Drug Copay						
Retail	\$5	\$15	\$15	\$25	\$25	\$25
Generic						
Formulary Brand						
Nonformulary Brand						
Mail Order	\$20	\$20	\$20	\$30	\$30	\$30
Generic						
Formulary Brand						
Nonformulary Brand						

US Airways
Eligible Actives & Inactives-Full Time- ALPA

Attachment B-1	Trend	PPO 80/60 - Flat 15.0%				PPO 90/70 - Flat 21.7%				PPO 100/80 - Flat 26.6%			
		Ee	Ee + Sq	Ee + Fam	Ee + Ch	Ee	Ee + Sq	Ee + Fam	Ee + Ch	Ee	Ee + Sq	Ee + Fam	Ee + Ch
2003	Contribution Base	230.06	460.12	437.59	760.15	249.03	498.07	473.16	823.00	265.64	530.09	504.00	876.36
	Employee Contribution	35.00	69.00	66.00	114.00	54.00	108.00	103.00	178.00	71.00	141.00	134.00	233.00
2004	Contribution Base	264.57	529.14	503.23	874.17	286.39	572.78	544.14	946.45	305.48	609.60	579.60	1,007.81
	Employee Contribution	40.00	79.00	75.00	131.00	62.00	124.00	118.00	205.00	81.00	162.00	154.00	268.00
2005	Contribution Base	304.26	608.51	578.71	1,005.30	329.35	658.70	625.76	1,088.42	351.30	701.04	666.54	1,158.98
	Employee Contribution	46.00	91.00	87.00	151.00	71.00	143.00	136.00	236.00	93.00	186.00	177.00	308.00
2006	Contribution Base	337.73	675.45	642.37	1,115.88	365.58	731.16	694.59	1,208.15	389.94	778.15	739.86	1,286.47
	Employee Contribution	51.00	101.00	96.00	167.00	79.00	158.00	151.00	262.00	104.00	207.00	197.00	342.00
2007	Contribution Base	381.63	763.26	725.88	1,260.94	413.11	826.21	784.89	1,365.21	440.63	879.31	836.04	1,453.71
	Employee Contribution	57.00	114.00	109.00	189.00	90.00	179.00	170.00	296.00	117.00	234.00	222.00	386.00
2008	Contribution Base	427.43	854.85	812.99	1,412.25	462.68	925.36	879.08	1,529.04	493.51	984.83	936.35	1,623.16
	Employee Contribution	64.00	128.00	122.00	212.00	100.00	201.00	191.00	331.00	131.00	262.00	249.00	433.00

US Airways
Eligible Pre-65 Retirees- Full Time- ALPA

Attachment B-2

		PPO 80/60 - Flat 15.0%				PPO 90/70 - Flat 21.6%				PPO 100/80 - Flat 26.4%			
		Ee	Ee + Sq	Ee + Ch	Ee + Fam	Ee	Ee + Sq	Ee + Ch	Ee + Fam	Ee	Ee + Sq	Ee + Ch	Ee + Fam
2003	Trend	419.82	839.64	798.46	1387.58	455.28	909.42	864.81	1503.12	485.03	970.05	920.86	1601.50
Contribution Base			63.00	126.00	120.00	208.00	98.00	197.00	187.00	325.00	128.00	256.00	243.00
Employee Contribution													423.00
2004	Trend	482.79	965.59	918.23	1,595.72	523.58	1,045.84	994.53	1,728.59	557.78	1,115.56	1,058.99	1,841.72
Contribution Base			72.00	145.00	138.00	239.00	113.00	226.00	215.00	374.00	147.00	295.00	280.00
Employee Contribution													487.00
2005	Trend	555.21	1,110.43	1,055.96	1,835.08	602.12	1,202.72	1,143.71	1,987.88	641.45	1,282.89	1,217.84	2,117.98
Contribution Base			83.00	167.00	158.00	275.00	130.00	260.00	247.00	430.00	170.00	339.00	322.00
Employee Contribution													560.00
2006	Trend	616.28	1,232.58	1,172.12	2,036.94	668.35	1,335.02	1,269.52	2,206.55	712.01	1,424.01	1,351.80	2,350.96
Contribution Base			92.00	185.00	176.00	306.00	145.00	289.00	275.00	477.00	188.00	376.00	357.00
Employee Contribution													621.00
2007	Trend	696.40	1,392.82	1,324.50	2,301.74	755.24	1,508.57	1,434.56	2,493.40	804.57	1,609.13	1,527.53	2,656.58
Contribution Base			104.00	209.00	199.00	345.00	163.00	326.00	310.00	539.00	213.00	425.00	404.00
Employee Contribution													702.00
2008	Trend	779.97	1,559.96	1,483.44	2,577.95	845.87	1,689.60	1,606.71	2,792.61	901.12	1,802.23	1,710.83	2,975.37
Contribution Base			117.60	234.00	223.00	387.00	183.00	365.00	347.00	604.00	238.00	476.00	452.00
Employee Contribution													786.00

US Airways
Eligible Post-65 Retirees- Full Time- ALPA

Attachment B-3

			80% Indemnity			90% Indemnity			100% Indemnity		
			Contribution = flat 15.0%			Contribution = flat 23.5%			Contribution = flat 36.7%		
			Ee	Ee + Fam	Ee	Ee	Ee + Fam	Ee	Ee	Ee + Fam	
		Trend									
2003	Contribution Base		181.55	363.09	202.00	404.00	244.00	244.00	488.00		
	Employee Contribution		27.00	54.00	47.00	55.00	89.00		179.00		
2004	Contribution Base	19%	216.04	432.08	240.38	480.76	290.36		580.72		
	Employee Contribution		32.00	65.00	56.00	113.00	106.00		213.00		
2005	Contribution Base	19%	257.09	514.18	286.05	572.10	345.53		691.06		
	Employee Contribution		39.00	77.00	67.00	134.00	127.00		253.00		
2006	Contribution Base	18%	295.65	591.31	328.96	657.92	397.36		794.72		
	Employee Contribution		44.00	89.00	77.00	155.00	146.00		291.00		
2007	Contribution Base	17%	345.91	691.83	384.88	769.77	464.91		929.82		
	Employee Contribution		52.00	104.00	90.00	181.00	170.00		341.00		
2008	Contribution Base	16%	401.26	802.52	446.46	892.93	539.30		1,078.59		
	Employee Contribution		60.00	120.00	105.00	210.00	198.00		395.00		

Attachment B-4	US Airways - Eligible Retirees-Full Time-ALPA												
	80% Plan				90% Plan				100% Plan				
Single Coverage			E+S Coverage			E+S Coverage			E+S Coverage			Family Coverage	
Year	Ret 65+ Ret 65	Ret 65+ Ret 65	Ret 65+ Ret 65	Ret 65+ Ret 65	Ret 65+ Ret 65	Ret 65+ Ret 65	Ret 65+ Ret 65	Ret 65+ Ret 65	Ret 65+ Ret 65	Ret 65+ Ret 65	Ret 65+ Ret 65	Ret 65+ Ret 65+ Ret 65	Family Coverage
2003	32.00 43.00	70.00 70.00	70.00 82.00	70.00 82.00	70.00 82.00	70.00 82.00	70.00 82.00	70.00 82.00	70.00 82.00	70.00 82.00	70.00 82.00	255.00 265.00	255.00 265.00
2W4	32.00 50.00	82.00 82.00	82.00 84.00	82.00 84.00	82.00 84.00	82.00 84.00	82.00 84.00	82.00 84.00	82.00 84.00	82.00 84.00	82.00 84.00	255.00 265.00	255.00 265.00
2005	39.00 57.00	96.00 96.00	96.00 109.00	96.00 109.00	96.00 109.00	96.00 109.00	96.00 109.00	96.00 109.00	96.00 109.00	96.00 109.00	96.00 109.00	255.00 265.00	255.00 265.00
2006	44.00 63.00	107.00 107.00	107.00 120.00	107.00 120.00	107.00 120.00	107.00 120.00	107.00 120.00	107.00 120.00	107.00 120.00	107.00 120.00	107.00 120.00	255.00 265.00	255.00 265.00
2W7	52.00 72.00	124.00 124.00	124.00 136.00	124.00 136.00	124.00 136.00	124.00 136.00	124.00 136.00	124.00 136.00	124.00 136.00	124.00 136.00	124.00 136.00	255.00 265.00	255.00 265.00
2008	50.00 80.00	140.00 140.00	140.00 152.00	140.00 152.00	140.00 152.00	140.00 152.00	140.00 152.00	140.00 152.00	140.00 152.00	140.00 152.00	140.00 152.00	255.00 265.00	255.00 265.00

Year	Split Families- Eligible Retirees-Full Time-ALPA				Single Coverage				E+S Coverage				Family Coverage	
	Ret 65+ Ret 65	Ret 65+ Ret 65	Ret 65+ Ret 65	Ret 65+ Ret 65	Ret 65+ Ret 65	Ret 65+ Ret 65	Ret 65+ Ret 65	Ret 65+ Ret 65	Ret 65+ Ret 65	Ret 65+ Ret 65	Ret 65+ Ret 65	Ret 65+ Ret 65	Ret 65+ Ret 65	Ret 65+ Ret 65+ Ret 65
2003	27.00 43.00	70.00 70.00	70.00 82.00	70.00 82.00	70.00 82.00	70.00 82.00	70.00 82.00	70.00 82.00	70.00 82.00	70.00 82.00	70.00 82.00	70.00 82.00	174.00 174.00	174.00 174.00
2W4	32.00 50.00	82.00 82.00	82.00 84.00	82.00 84.00	82.00 84.00	82.00 84.00	82.00 84.00	82.00 84.00	82.00 84.00	82.00 84.00	82.00 84.00	82.00 84.00	190.00 190.00	190.00 190.00
2005	39.00 57.00	96.00 96.00	96.00 109.00	96.00 109.00	96.00 109.00	96.00 109.00	96.00 109.00	96.00 109.00	96.00 109.00	96.00 109.00	96.00 109.00	96.00 109.00	235.00 235.00	235.00 235.00
2006	44.00 63.00	107.00 107.00	107.00 120.00	107.00 120.00	107.00 120.00	107.00 120.00	107.00 120.00	107.00 120.00	107.00 120.00	107.00 120.00	107.00 120.00	107.00 120.00	235.00 235.00	235.00 235.00
2W7	52.00 72.00	124.00 124.00	124.00 136.00	124.00 136.00	124.00 136.00	124.00 136.00	124.00 136.00	124.00 136.00	124.00 136.00	124.00 136.00	124.00 136.00	124.00 136.00	235.00 235.00	235.00 235.00
2008	50.00 80.00	140.00 140.00	140.00 152.00	140.00 152.00	140.00 152.00	140.00 152.00	140.00 152.00	140.00 152.00	140.00 152.00	140.00 152.00	140.00 152.00	140.00 152.00	235.00 235.00	235.00 235.00

US Airways
Managed Dental Plan- ALPA

Attachment B-5

		Eligible Full-time Actives, Inactives & Pre-65 Retirees				Eligible Post-65 Retirees	
		Flat 15.0% Employee Contribution				100% Contribution	
		<u>Ee</u>	<u>Ee + Sp</u>	<u>Ee + Ch</u>	<u>Ee + Fam</u>	<u>Ee</u>	<u>Ee + Sp</u>
2003	Trend	26.00	52.00	49.00	86.00	26.00	52.00
	Contribution Base Employee Contribution	3.90	7.80	7.40	12.90	26.00	52.00
2004	Trend	28.00	55.00	52.00	91.00	28.00	55.00
	Contribution Base Employee Contribution	4.20	8.30	7.80	13.70	28.00	55.00
2005	Trend	30.00	58.00	55.00	96.00	30.00	58.00
	Contribution Base Employee Contribution	4.50	8.70	8.30	14.40	30.00	58.00
2006	Trend	32.00	61.00	58.00	102.00	32.00	61.00
	Contribution Base Employee Contribution	4.80	9.20	8.70	15.30	32.00	61.00
2007	Trend	34.00	65.00	61.00	108.00	34.00	65.00
	Contribution Base Employee Contribution	5.10	9.80	9.20	16.20	34.00	65.00
2008	Trend	36.00	69.00	65.00	114.00	36.00	69.00
	Contribution Base Employee Contribution	5.40	10.40	9.80	17.10	36.00	69.00

US Airways
Managed Dental Plan-Split Family Rates-ALPA

Attachment B-6

Year	Ret 65+ Ret <65	Eligible Full-Time		Eligible Part-Time	
		Single Coverage		E+F+S Coverage	
		Ret 65+ Ret <65	Ret 65+ Ret <65	Ret 65+ Ret <65	Ret 65+ Ret <65
2003	26.00 3.90	29.90 29.50	29.90 7.40	33.40 55.90	33.40 12.90
2004	28.00 4.20	32.20 32.20	32.20 7.80	35.80 60.20	35.80 13.70
2005	30.00 4.50	34.50 34.50	34.50 8.30	38.30 64.50	38.30 14.40
2006	32.00 4.80	36.80 36.80	36.80 8.70	40.70 68.80	40.70 15.30
2007	34.00 5.10	39.10 39.10	39.10 9.20	43.20 73.10	43.20 16.20
2008	36.00 5.40	41.40 41.40	41.40 9.80	45.80 77.40	45.80 17.10

Year	Ret 65+ Ret <65	Eligible Full-Time		Eligible Part-Time	
		Single Coverage		E+F+S Coverage	
		Ret 65+ Ret <65	Ret 65+ Ret <65	Ret 65+ Ret <65	Ret 65+ Ret <65
2003	26.00 3.90	29.90 29.50	29.90 7.40	33.40 55.90	33.40 12.90
2004	28.00 4.20	32.20 32.20	32.20 7.80	35.80 60.20	35.80 13.70
2005	30.00 4.50	34.50 34.50	34.50 8.30	38.30 64.50	38.30 14.40
2006	32.00 4.80	36.80 36.80	36.80 8.70	40.70 68.80	40.70 15.30
2007	34.00 5.10	39.10 39.10	39.10 9.20	43.20 73.10	43.20 16.20
2008	36.00 5.40	41.40 41.40	41.40 9.80	45.80 77.40	45.80 17.10



U.S AIRWAYS

January 8, 2003

Captain Chris Beebe
MEC Chairman
Air Line Pilots Association
One Thorn Run Center
Coraopolis, PA 15108

Dear Captain Beebe:

This will confirm that the Company agrees to indemnify the Association from any and all liability, loss, damages, fines, penalties, excise taxes and costs, including expenses and reasonable attorneys' fees, which the Association sustains arising out of or in connection with the Company's elimination of the pre-65 retiree life insurance and post-65 retiree death benefit.

The Association agrees that it will not settle a matter covered by this indemnity at the Company's cost without the Company's approval, and that the Association will provide assistance as reasonably required or requested by the Company in any matter for which such indemnity is being provided.

In addition, if a retired employee who retired prior to the elimination of the pre-65 retiree life insurance and post-65 retiree death benefit disputes the elimination of these benefits, the retired employee may refer the matter to the System Board of Adjustment in accordance with Section 21 of the Pilots Agreement.

Sincerely,

Anthony J. Bralich Jr.
Managing Director, Labor Relations - Flight

AGREED:

Captain Chris Beebe Date 1/8/03
MEC Chairman

Pilot Pension Plan Changes

- The Pension credit shall be reduced prospectively to a 1.8% accrual formula for the first 25 years and 1% accrual for the next 5 years (26 – 30) with a cap of 50% (accruals above 50% as of 12/31/02 to be grandfathered)
- Eliminate lump sum and subsidized joint and survivor payment options on future accruals
- Eliminate Service Credit while on furlough prospectively, i.e., applies to Service Credit for pilots who have been furloughed on or after October 15, 2001 (including pilots hired prior to 1/1/98) for the period of January 1 2003 and beyond.
- Annual cash contributions shall not exceed contributions as determined by the PBGC under a Restoration Funding Program except for contributions made under the Enhanced Profit Sharing Program

Note: Any pension modifications required by the PBGC that would require an amendment to the Supplementary Cost Reductions Letter of Agreement shall be subject to MEC ratification on behalf of the membership

US Airways Pilot Long Term Disability Plan – Effective 1/1/03	
Provisions	
■ Eligibility	
— Employee status	Full-time active pilots (excluding furloughed pilots)
— Effective date of coverage	Date of hire
— Pre-existing condition limitations	3/12 (conditions treated within the 3 months prior to eligibility for disability benefits are not covered within the first 12 months of eligibility for disability benefits)
■ Elimination period	5 months (except for reoccurrence of the same disability within 90 days of returning to work)
■ Definition of disability	The inability of a participant to perform the duties of his/her own occupation because of a medical condition such as illness, injury or pregnancy or inability to pass the FAA physical examination as determined by a physician.
■ Benefit Schedule	<ul style="list-style-type: none"> ■ 50% of average monthly salary for first 48 months ■ If permanently and totally disabled after 48 months – 50% benefit continues ■ If not permanently and totally disabled after 48, the benefits as follows: <ul style="list-style-type: none"> — Age 40+ or 10 or more years of service: 50% benefit — Age 39 or 9 years of service: 48% benefit — Age 38 or 8 years of service: 46% benefit — Age 37 or 7 years of service: 44% benefit — Age 36 or 6 years of service: 42% benefit — Less than Age 36 or less than 6 years of service: 40% benefit ■ Monthly maximum of \$7,500 ■ No COLA ■ Seat change procedure as per current LTD plan
— Covered compensation	Benefit eligible earnings as defined by US Airways
■ Medical treatment	Failure to adhere to any conditions below may result in the termination of disability benefit payments
— Provider qualifications	<p>A treating provider must have the following qualifications:</p> <ul style="list-style-type: none"> — Licensed to practice medicine, to prescribe and administer drugs, and to treat patients and perform surgery, or — Licensed practitioner of the healing arts <p>Provider must also practice within the scope of his/her license.</p> <p>Claimant must be under the care of a provider whose specialty or experience is appropriate for treatment of the disabling condition(s)</p>
— Refusal of treatment	Claimants must accept appropriate treatment or advice based on medical necessity.

US Airways Pilot Long Term Disability Plan – Effective 1/1/03	
— Compliance with treatment	<p>The claimant must comply with the provider's recommended treatment. Adherence may include keeping appointments with providers, taking medications as prescribed or following recommended diet and exercise programs.</p> <p>Claimant must comply with only reasonable non-invasive procedures.</p>
— Medical evaluations	<p>Claimant may be requested to undergo an independent medical evaluation, including an assessment by a psychiatrist or psychologist</p>
■ Exclusions and limitations	<ul style="list-style-type: none"> — Disability benefits are not paid for conditions not covered under the US Airways medical plan — Elective cosmetic surgery — Intentionally self-inflicted injuries — Injuries or illnesses associated with the participation in a felony or while incarcerated — Injuries or illnesses associated with war or act of war (whether declared or not) or participation in a riot — Non-verifiable symptoms that cannot be substantiated by tests, procedures or clinical examinations typically accepted in the practice of medicine
■ Offsets	<ul style="list-style-type: none"> — SSDI — Earnings from other employment that exceed 50% of pre disability earnings — Pension benefits — State disability benefits — Severance pay — Disability benefits, denominated as such, from no fault auto insurance that exceed 100% of pre disability earnings. — Workers compensation (temporary disability, partial disability, permanent disability and scheduled injury awards), occupation disease or similar benefits — Group disability benefits from other employers that exceed 100% of pre disability earnings. — Any lump sum payments, settlements or distributions from any of the above referenced programs or any other source to the extent that the lump sum payment or distribution is on account of the injury or illness causing or contributing to the disability covered by this plan and to the extent that such funds exceed 100% of projected pre-disability earnings over the remainder of the pilot's career.

■ Termination of benefits	<ul style="list-style-type: none">— Failure to comply with the terms and responsibilities of the plan— The date the claimant is no longer qualified by the FAA to serve as a pilot for US Airways for any reason other than Disability (currently age 60).— Definition of disability is not met— Exceeded maximum duration of benefits— Recipient dies
	Maintain Retirement Board



U.S AIRWAYS

David N. Siegel
President and Chief Executive Officer

December 13, 2002

Captain Chris Beebe
MEC Chairman
Air Line Pilots Association
One Thorn Run Center
Coraopolis, PA 15108

E: 002 Supplementary Cost Reductions and Pension Plan Changes

Dear Captain Beebe:

As you know, some uncertainty exists regarding the status of the Company's request for long term funding relief under a restoration or waiver funding program for the US Airways Pilots Pension Plan (the "Plan").

If the PBGC and IRS reject the Company's request for long term funding relief and this results in the termination of the Plan, the freezing of the plan or significant modification in Plan benefits from those negotiated in the 2002 Supplementary Cost Reduction Agreement ("Agency Action"), the parties agree to meet and confer for the purpose of negotiating alternate pilot retirement benefits.

If the Plan is terminated, the alternate pilot retirement plan shall provide benefits, from and after the effective date of the termination (the "Effective Date"), that resemble, in the aggregate, the benefits pilots would have earned from and after the Effective Date under the existing Plan (reflecting all recent amendments in the 2002 Supplementary Cost Reduction Agreement) absent the termination (and taking into account the effect of termination on existing benefits); provided, however, that (i) the alternate pilot retirement benefits plan shall be designed in such a way that it is not objectionable to PBGC or IRS or contrary to their rules, (ii) the alternate pilot retirement benefit plan may take the form of a defined contribution plan, and (iii) while the Company's cash cost in providing the alternate pilot retirement benefit plan described above (together with any cash cost the Company must bear with respect to the terminated Plan) may be less than the Company's cash cost under the proposed restoration funding program for the Plan (taking into account variations in interest rates), its cash cost may in no event exceed such restoration funding cash cost in any year.

The parties further agree that agreement to the terms of this letter in no way diminishes their commitment to vigorously seek a restoration funding program.

Captain Chris Beebe
Page 2
December 13,2002

Finally, the terms of this letter shall remain confidential until such time as Agency Action, as defined above, occurs.

Sincerely,


David N. Siegel



Agreed and accepted
Chris Beebe
MEC Chairman